



Report to the General Assembly

May 2005

A Review of State Travel



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Synopsis

Members of the General Assembly requested the Legislative Audit Council (LAC) to conduct an audit of state travel. Our review focused on the efficiency of state agency travel including lodging, one-day meals, airfares, subsistence, and video conferencing. In particular, we reviewed travel for state employees with the highest travel expenditures. We also identified other travel practices that South Carolina could adopt. Our findings are summarized below.

- ❑ The state spent approximately \$63 million on travel in FY 03-04. This was less than 1% of total state expenditures. During the three-year period, FY 01-02 to FY 03-04, state travel expenditures *decreased* by approximately 7% while total state expenditures *increased* by approximately 11%. During the period FY 01-02 through FY 03-04, 40 (36%) agencies' travel expenditures increased, while 70 (64%) agencies' expenditures either decreased or remained unchanged.
- ❑ There is no centralized office that is responsible for managing travel by South Carolina state agencies to ensure that travel expenditures are efficient and cost effective. This makes it difficult for the state to use its volume of travel to reduce costs, improve communication and training about travel policies, and develop expertise in travel practices.
- ❑ State regulations do not limit the amount of reimbursement for lodging obtained by employees while traveling on official business. To reduce travel expenditures, other states and the federal government have implemented lodging reimbursement limits. We found evidence that limits on lodging reimbursements to state employees would save money.
- ❑ Eliminating reimbursement for one-day meals could result in significant savings to the state in direct expenses and reduce administrative costs.
- ❑ The state should use its bulk purchasing power to obtain contracts with airlines for discounted airfares. Other states and the federal government utilize these contracts.
- ❑ Subsistence payments for Public Service, Employment Security, and Workers' Compensation commissioners should be discontinued. Commissioners should be reimbursed for actual travel expenditures like other state employees.

- ❑ Video conferencing technology has impacted the travel expenditures of state agencies. We found that video conferencing can significantly reduce travel expenditures by limiting transportation and lodging costs, as well as reducing instructor fees and employees' time spent away from their headquarters.
- ❑ The state can also improve its travel management practices in the areas of moving expenses, non-state employee travel, and car rental contracts.

Introduction and Background

Audit Objectives

Members of the General Assembly requested the Legislative Audit Council (LAC) to conduct an audit of state travel. Our audit objectives are listed below.

- Determine if the efficiency of state agencies' travel could be improved.
- Review the efficiency of travel for state employees with the highest travel expenditures.
- Determine if there are best practices for travel that South Carolina could adopt.

Our findings and recommendations are discussed in the report.

Scope and Methodology

The period of this review was FY 01-02 through FY 03-04. Our sources included:

- Travel vouchers maintained at the Comptroller General's (CG's) office and other agencies.
- Interviews and correspondence with various state agencies' staff.
- State laws and regulations concerning travel.
- Other states' laws, regulations, and policies on travel.
- Federal travel regulations.

Our review included limited judgmental samples of travel vouchers for:

- Top 100 travelers in South Carolina for all travel categories.
- Top travelers from universities, Santee Cooper, and State Ports Authority.
- Payments for in-state and out-of-state lodging, registration fees, and moving expenses.

The Comptroller General does not collect travel expenditures for all state agencies. Universities, technical colleges, and quasi-state agencies, such as the State Ports Authority and Santee Cooper, are not on the same system.

We used computer-generated data from the Comptroller General's office in selecting samples of vouchers. We performed a limited review of the management controls over this data. Where computer-generated data from other agencies was used, it was attributed to the agency. Based on our review of vouchers provided by the CG and other agencies, we concluded that the risk of material errors was not high.

Because of recent audits, we excluded the following entities from our review — the State Department of Education (SDE), the S.C. Research Authority, and the S.C. Education Lottery.

This audit was conducted in accordance with generally accepted government auditing standards.

Budget and Control Board Review of State Fleet Management

We excluded from our review the use of state-owned and privately-owned automobiles because the Budget and Control Board (B&CB) is in the process of reviewing the privatization and/or utilization of state fleet management. Proviso 73.18 (B) of the FY 04-05 appropriations act required a privatization review of state fleet management to be conducted. A January 2005 report determined that it would not be more cost efficient to privatize the state fleet. The consultant concluded that the state has better cost saving opportunities in other areas of fleet management and recommended to B&CB officials that a more fundamental review occur. The consultant suggested that the review include rightsizing the fleet, centralizing fleet activities, and improving fleet management practices.

In September 2004, the B&CB approved a request for proposal (RFP) to study all vehicle usage, personal reimbursement, personal assignment of vehicles, maintenance shops, and many other aspects of government fleet operations. According to B&CB officials, the agency plans to have a report available for the General Assembly by May 2005.

Background

The state spent approximately \$63 million on travel in FY 03-04. This was less than 1% of total state expenditures. During the three-year period, FY 01-02 to FY 03-04, state travel expenditures *decreased* by approximately 7% while total state expenditures *increased* by approximately 11% (see Table 1.1).

Table 1.1: State Travel Expenditures

FISCAL YEAR	EXPENDITURES	
	TRAVEL (1)	TOTAL (2)
01-02	\$67,270,216	\$14,733,464,865
02-03	\$65,722,980	\$15,535,498,501
03-04	\$62,724,027	\$16,372,861,593

- (1) Excludes athletic travel by universities.
(2) Excludes expenditures by Santee Cooper and State Ports Authority.

Source: Comptroller General and other state agencies' accounting records.

We obtained travel expenditures for 110 agencies. During the period FY 01-02 through FY 03-04, 40 (36%) agencies' travel expenditures increased, while 70 (64%) agencies' expenditures either decreased or remained unchanged. Appendix A shows the percentage increase or decrease in travel expenditures for each agency during the three-year period. The FY 04-05 appropriations act requires state agencies (with some exceptions) to cut their travel expenses by 15%, with an estimated savings of \$5.7 million.

Travel is paid for through funding sources that include state appropriations, federal funds, earmarked, and restricted funds. Travel expenditures are shown by category in Table 1.2. Expenditures for leased cars and privately-owned vehicle (POV) reimbursement account for over half of the travel expenditures.

Table 1.2: Travel Expenditures By Category – FY 03-04

CATEGORY	AMOUNT
POV Reimbursement	\$9,570,543
Leased Cars	8,318,167
Lodging	4,106,631
Registration Fees	2,754,199
Meals	1,938,920
Subsistence	1,394,640
Air Transportation	1,035,448
Per Diem	302,857
Other	280,496
Moving Expenses	61,768
TOTAL	\$29,763,669

Agencies on CG system only.

Source: CG records.

The University of South Carolina, the Medical University of South Carolina, and Clemson University own passenger aircraft. In addition, the division of aeronautics owns an aircraft that is used by agencies to transport state employees and others.

The agencies on the Comptroller General's accounting system reported spending approximately \$4.3 million for non-state employee travel in FY 03-04. This is a decrease of 15% from FY 01-02. For example, DSS reimburses mileage of volunteers who transport its clients (see p. 23).

There are various laws and regulations which govern state employee travel. For example, FY 04-05 appropriations act proviso 72.26 limits the amount of reimbursement for meals to \$25 in-state and \$32 out-of-state. However, there are no limits on lodging costs. The proviso also limits the reimbursement rate for using a privately-owned vehicle on official business to 34.5¢ per mile when a state car is not available. In 2004, the Internal Revenue Service (IRS) allowed 37.5¢ for business use of a personal automobile.

To manage travel expenses, the state has entered into contracts for rental cars, both in-state and out-of-state, and for a corporate travel card. However, the state has not been successful in developing a contract for airfares.

The LAC, along with other entities, such as the Governor's Commission on Management, Accountability, and Performance (MAP), and state agencies have reviewed travel practices. Recommendations contained in these reports include establishing an airfare contract, creating a centralized state travel office, and implementing limits on lodging.

Audit Results

We reviewed state agency and state employee travel expenditures and identified areas where the state could travel more efficiently. Among the areas addressed in this chapter are lodging, meals, airfares, subsistence, video conferencing, and a central state travel office. We also discuss some other travel practices adopted by agencies to improve their use of travel funds.

Lodging Practices

There are a number of areas where improvements could be made that may result in reduced travel costs. These include establishing lodging limits for in-state and out-of-state travel, establishing limits for lodging and meals for foreign travel, and encouraging state employees to share rooms when traveling to conferences and training. Also, agencies should examine the cost benefits of staying off-site when attending conferences in order to reduce lodging expenses.

Lodging Limits

State regulations do not limit the amount of reimbursement for lodging obtained by employees while traveling on official business. In FY 03-04, we estimated the state spent at least \$10 million for in-state and out-of-state lodging. To reduce travel expenditures, other states and the federal government have implemented lodging reimbursement limits, which take into account higher cost urban areas and peak travel seasons. We found evidence that limits on lodging reimbursements to state employees would save money.

FY 04-05 travel guidelines provide that state employees will be paid for actual expenses upon presenting a receipt. The guidelines state that:

A traveler on official business will exercise the same care in incurring expenses and accomplishing an assignment that a prudent person would exercise if traveling on personal business. Excess costs, circuitous routes, delays or luxury accommodations unnecessary or unjustified in the performance of an assignment are not considered acceptable as exercising prudence.

During our review, we found several examples of expenses which were significantly higher than the federal lodging limits:

- A state employee stayed six nights in Hilton Head at \$357 per night to attend various events, including a Governor's cabinet meeting.
- A consultant stayed three nights in Phoenix at \$375 per night to attend a conference.

- A university employee stayed four nights in Miami at \$199 per night for meetings regarding an ongoing project. The federal lodging limit is \$98.
- A state employee stayed three nights in New York at \$269 per night to meet with various individuals. The federal lodging limit for Manhattan is \$208, which is the highest rate for New York.

As far back as our January 1992 cost savings audit and as recently as our May 2004 review of the State Department of Education, we have recommended that the state adopt lodging limits.

We found that seven states, Alabama, Arkansas, Louisiana, North Carolina, Mississippi, Texas, and Virginia, limit the amount reimbursable for in-state and out-of-state lodging. The federal government limits employees to lodging rates published annually by the General Services Administration (GSA). The states either develop their own rates, rely on the federal government's GSA rates, or a combination of both. Table 2.1 shows the federal lodging limits for South Carolina.

**Table 2.1: Federal Government's
FY 2005 Lodging Rates for South
Carolina**

CITY *	MAXIMUM LODGING RATES
Charleston	\$98
Columbia	\$67
Greenville	\$66
Hilton Head	
(April 1 – October 31)	\$122
(November 1 – March 31)	\$77
Myrtle Beach	
(April 1 – May 31)	\$97
(June 1 – August 31)	\$116
(September 1- October 31)	\$78
(November 1 – March 31)	\$63

*Other S.C. cities have a \$60 maximum.

Source: 2005 Federal General Services Administration per diem rates.

Several South Carolina agencies have instituted limits on lodging reimbursements for state employees. According to agency officials, the Department of Mental Health and the Department of Revenue have adopted maximum lodging reimbursement rates. In December 2004, Department of Health and Environmental Control's (DHEC) internal audit found that lodging limits should be implemented by the agency. Furthermore, in the FY 05-06 executive budget, the Governor's office recommended that the

state join the federal government and other states by adopting the federal maximum amounts on hotel reimbursement rates.

Some agency officials said that lodging rates could limit an employee's ability to stay at a location while on official business. An example of this would be when an employee attends a conference at a hotel that has high rates. We found that some states, such as North Carolina, Louisiana, and Virginia, have policies requiring employees to justify in writing the reason for higher rates and requiring that employees obtain prior written approval from the agency head or designee. South Carolina could implement a similar policy for its lodging limits.

Sharing Rooms

According to officials, some agencies, such as the Department of Mental Health, the Department of Consumer Affairs, and DHEC, have policies which address employees sharing rooms. Exceptions to the policy can be granted for certain reasons, such as employees with disabilities or employees of the opposite sex traveling together.

Having employees share rooms, where possible, can result in significant savings. According to an agency official, the agency sent 45 employees to a conference in Charleston where room charges were \$156 per night (including tax) for a three-day conference. If these employees had shared rooms, we estimate lodging costs could have been reduced by \$3,120 per day.

According to that agency official, employees have been required to share rooms at another conference for several years and, in 2004, 226 employees attended the conference and the agency estimates that sharing rooms saved over \$40,000 in lodging costs.

Foreign Travel Reimbursements

The state currently has no limits on reimbursements for meals or lodging for foreign travel when receipts are provided. We contacted three agencies that have foreign travel to determine if the state should adopt the rates established by the federal General Services Administration (GSA). One agency official stated that the agency already uses the federal per diem rate for reimbursements to its employees who travel internationally. Two other agencies currently reimburse foreign travelers fully if receipts are provided and noted the following as drawbacks to reimbursements based on the GSA rates:

- Limiting reimbursements for lodging to the federal rate may mean that travelers could not stay at hotels where they are participating in trade shows or conventions.
- Rates for international destinations can change monthly, adding difficulties to travelers and those processing the travel reimbursements in trying to determine the correct rate for the time and destination.

Other Agency Lodging Practices

The Department of Health and Environmental Control reports that its employees have stayed at less expensive hotels than where a conference was held and commuted to the conference location. Even after taking into consideration the mileage costs to travel to the conference site, it was less expensive for DHEC to do this.

Agencies, such as the Department of Alcohol and Other Drug Abuse Services, report that they are eliminating overnight stays when employees travel in the state and limiting out-of-state travel.

Recommendations

1. The General Assembly should set limits on the amount of lodging reimbursement for both in-state and out-of-state travel and allow agency heads or their designees to approve exceptions to lodging rates as long as there is written justification.
2. The General Assembly should set limits on the amount of lodging and meal reimbursements for foreign travel and allow agency heads or their designees to approve exceptions with written justifications.
3. When attending conferences or training where the room cost exceeds the federal lodging limits, state agencies should require employees share rooms, stay in a less expensive alternate site, or pay the difference in room cost.

Meals for One-Day Trips

Table 2.2: Savings From Reductions in One-Day Meal Expenditures

Eliminating reimbursement for one-day meals could result in significant savings to the state in direct expenses and reduce administrative costs. Current state policy allows reimbursement for meal expenditures incurred while traveling on official business for the state on one-day trips. Total expenditures for one-day meals in FY 03-04 were \$345,549, down 57% from \$802,576 in FY 01-02. These figures represent only those agencies on the Comptroller General's system. Due to budget cuts during that period, a number of agencies reduced or eliminated paying for one-day meals, and the cost savings have been significant. Table 2.2 shows savings realized by four agencies by restricting the one-day meal reimbursement.

AGENCY	FY 01-02	FY 03-04	DECREASE
Department of Transportation	\$ 98,857	\$1,647	98%
State Law Enforcement Division (SLED)	\$ 84,506	\$3,533	96%
Department of Social Services	\$163,638	\$8,030	95%
Department of Probation, Parole & Pardon Services	\$ 23,813	\$5,268	78%

Source: Comptroller General

The Department of Transportation has adopted a policy that states "Reimbursements for the lunch meal will be allowed only if an employee is traveling overnight or is in work status at least twelve (12) hours." The Department of Social Services has a policy that eliminates meal reimbursements when no overnight stay is required. SLED has also implemented measures to eliminate one-day meal reimbursements; however, this policy is under "continuous review" and could be changed.

Florida does not reimburse any meals in which the traveler is not away from his official headquarters overnight. Georgia allows for one-day meals only in restricted circumstances. North Carolina does not pay for lunches unless travel involves an overnight stay, and reimburses one-day meals only if:

- The work day departure is prior to 6:00 a.m. and extends the workday by two hours; or
- The work day return is after 8:00 p.m. and the workday is extended by three hours.

Without a statewide policy for one-day meals, the expenditures could return to, or exceed, the amount in FY 01-02. Eliminating the reimbursement of one-day meals could save the state as much as \$800,000 a year in direct expenses. The IRS regards reimbursement of one-day meals as taxable

income, in essence increasing the employee's pay. Eliminating this reimbursement would also reduce the administrative expense of preparing W-2 forms.

Recommendation

4. The General Assembly should eliminate reimbursement for one-day meals, with limited exceptions for extended work days.
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Contract Airfares

The state should use its bulk purchasing power to obtain contracts with airlines for discounted airfares. One way this could be accomplished would be through a central travel office (see p. 18). Other states and the federal government utilize these types of contracts. In FY 03-04, we estimate South Carolina state agencies spent at least \$6.5 million on airfare. If the state obtained discounts on these airfares, a significant amount could be saved.

Southeastern states, such as Florida, Georgia, Louisiana, Mississippi, as well as the federal government, have contracted with airlines to receive discounted rates for specific city pairs. The contracted rates are discounted below full coach fares. Louisiana's state travel office estimates that the state saves \$3 million annually from its airfare contract. This would be a 25% savings over regular priced tickets. The table below shows examples of airfare charges from several states and the federal government.

Table 2.3: Round Trip Contract Airfares Used by Other States and the Federal Government

ENTITY	CITY PAIRS	RESTRICTED *	UNRESTRICTED	CONTRACT PERIOD
FEDERAL GOVERNMENT	Baltimore, MD to Columbia, SC	\$500	\$620	FY 04-05
GEORGIA	Atlanta, GA to Columbia, SC	\$295	\$356	Dec. 2003 thru Nov. 2005
LOUISIANA	New Orleans, LA to Columbia, SC	\$454	\$520	FY 04-05
MISSISSIPPI	Jackson, MS to Charleston, SC	\$472	\$522	FY 04-05

* Tickets that have restrictions and penalties for changes or cancellations.

Source: Other states and the federal government's airfare contracts.

In our review of vouchers, we found several examples where South Carolina could have saved a significant amount had there been an airfare contract. For example:

- In January 2004, a non-state employee flew round trip to Phoenix, Arizona from Columbia at a cost of \$740. The federal government contract price was \$247.
- A state employee's stay in New Orleans was extended three days in order to qualify for a lower airfare of \$274, including taxes. The federal government contract price was \$213. The additional three days cost the agency more than \$600 in additional meals and lodging costs.
- In November 2003, a university employee flew round trip from Columbia to Austin, Texas for \$1,319. The federal contract price was \$429.

Louisiana's state travel office estimates that the state saves \$3 million annually from its airfare contract. This would be a 25% savings over regular priced tickets. Based on the amount spent on airfares in FY 03-04, if South Carolina saved 25% on its airfare rates, the state could save approximately \$1.6 million annually.

Some benefits of an airline contract:

- The airfares could qualify as non-penalty tickets, which means that if changes or cancellations are made, the state is not required to pay a fee.
- No restrictions, such as blackout periods, would be imposed on flight schedules.
- No required advance purchase or minimum length of stay.
- Employees could purchase a ticket from another vendor if they find a lower price.
- Frequent flyer accounts could be better managed.

In our 1992 report, *Cost Savings for State Government: A Special Report*, and in our 2002 report, *An Administrative Review of the Department of Commerce*, we recommended contracting with air carriers for government discounts. Based on our recommendations, the Budget and Control Board attempted to procure an airline contract in 2002, but only one bid was received. Officials stated that the airline that submitted the bid had too many stipulations, so they declined it. B&CB officials said that one of the stipulations was the airline's concern over determining whether an employee was on official state business.

The state has the following options for monitoring an airline contract to ensure that it is only used for official travel:

- Monitored by airline – employees contact a coordinator employed by the airline to reserve a flight, such as in Georgia.
- Contracted travel agency – the state contracts with a private sector entity to manage the contract, such as in Louisiana.
- Department travel coordinators – state agencies select a travel coordinator who is responsible for booking flights through the contracted travel agencies for employees, such as in Mississippi.

Another concern raised by B&CB officials is that the state has difficulty procuring an airfare contract because there is not a hub city located in South Carolina. We contacted officials from other state procurement offices and they did not think that being a hub city affects a state's ability to procure an airline contract. For example, neither Louisiana nor Mississippi has a hub city, but do have discounted rates. Therefore, it could be possible for S.C. state employees to get similar discounts.

Recommendation

5. The General Assembly should require the Budget and Control Board to contract with air carriers for cost effective government discounts on airfares.
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Subsistence for Commissioners

In South Carolina, commissioners for the Employment Security Commission (ESC), the Public Service Commission (PSC), and the Workers' Compensation Commission (WCC) are given subsistence payments in lieu of reimbursement for lodging and meal expenses. These payments should be discontinued, and commissioners should be reimbursed for actual travel expenses like other state employees.

According to the FY 04-05 appropriations act proviso 72.26, legislators, judges, commissioners from the PSC, ESC, and WCC, and selected other state employees may be allowed subsistence payments. They receive a flat rate, depending on how far they must travel from their county of residence, and do not have to provide receipts to document the expenditure of these funds. In addition, commissioners may be reimbursed at the regular mileage rate for one round trip each week.

Commissioners' travel is reimbursed based on the distance traveled from the commissioner's county of residence. When traveling on official business of the commission within 50 miles outside of the commissioner's county of residence, a commissioner is allowed subsistence of \$35 per day. When traveling on official business more than 50 miles outside his home county, the commissioner is allowed a subsistence payment of \$95 per day. The PSC commissioners are the only commissioners of these three agencies who are required to reside in their congressional districts.

To collect subsistence, commissioners do not have to expend any funds for lodging or meals and do not have to provide receipts. For example, a commissioner who lived in Richland County and traveled into work in Lexington County received \$35 per day without having to prove that he actually incurred any expenses.

Subsistence payments are in addition to the commissioners' salaries. Commissioners are full-time state employees and their salaries range from \$77,834 to \$104,199.

Workers' Compensation Commission

In our review of top travelers in the state, we found that none of the WCC commissioners were on our top 100 travelers list for FY 02-03 or FY 03-04; however, some PSC and ESC commissioners were on the list. We contacted the WCC and found that, in 2002, the commission implemented guidelines for commissioner travel, which:

- Limited the number of days to 10 per month a commissioner could get subsistence.
- Required lodging receipts for travel more than 50 miles from the commissioner's county of residence, if claiming \$95 in subsistence.
- Allowed a subsistence reimbursement of \$35 if the commissioner traveled to a hearing site more than 50 miles from his/her home county and returned home the same day.

Although the WCC stated that limiting the number of days that the \$95 in subsistence was paid resulted in a backlog of cases and increased the time it took for a case to get to a hearing, a savings of over \$30,000 was realized the year after this policy was implemented. However, at a November 2004 commission meeting, that policy was overturned again allowing commissioners to claim subsistence payments with no limits or without providing receipts as documentation of lodging.

The Governor, in his FY 05-06 executive budget, has proposed that:

...members of the Workers' Compensation Commission, the Employment Security Commission, and the Public Service Commission be covered by the same guidelines as other state employees when traveling 50 or more miles from their homes.

We asked the three commissions the effect of adopting the Governor's limits on subsistence and they all responded that there would not be a significant savings to the state.

State employees are not reimbursed for mileage or meals if their travel is commuting to and from work. For example, if a commissioner did not receive the \$35 per day subsistence for commuting less than 50 miles, we estimate the state would save approximately \$8,700 each year.

Since there are no lodging limits in South Carolina, a commissioner, instead of receiving the \$95 per day, could turn in receipts for meals and lodging totaling more than \$95 per day. However, we are recommending that the state establish lodging limits (see p. 5). While there may be more paperwork involved in processing commissioners' travel vouchers, reimbursing these employees for proven expenses helps to ensure that the state is paying for expenses which were actually incurred.

Recommendation

6. The General Assembly should require that the Commissioners of the Public Service Commission, Employment Security Commission, and the Workers' Compensation Commission be reimbursed for travel expenditures in the same manner as other state employees.
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Video Conferencing

Video conferencing technology has impacted the travel expenditures of state agencies. We found that video conferencing can significantly reduce travel expenditures by limiting transportation and lodging costs as well as reducing instructor fees and employees' time spent away from their headquarters. Educational Television (ETV) and the B&CB's Chief Information Officer (CIO) assist state agencies in obtaining video conference equipment and capabilities. However, there is no collaboration between these two entities to determine which agency's services would best suit the needs of individual state agencies.

Beginning with the FY 93-94 appropriations act, the General Assembly created the Video Resources Oversight Council. The council's objectives are

to ensure that the state's digital satellite video transmission system will support public and higher education, enhance the statewide delivery of health care services, improve public service, and assist state agencies with statewide personnel training. However, the council has never formally met. The council should include representatives from ETV and the CIO's office, and its mission should be expanded to address the coordination of all video conferencing services and facilities. This would help to ensure that duplication of effort and unnecessary expenditures do not occur.

Video/Satellite Conferencing Services

Services that ETV and the CIO's office provide to state agencies are discussed below.

Educational Television

ETV provides state agencies with satellite video conferencing services. This allows entities to originate programs from ETV's production studios or from agency sites. ETV sends the programs by satellite to sites throughout the state. Agencies can view programs from any one of ETV's 32 satellite channels. It also allows participants the opportunity for audio feedback. Therefore, an agency may conduct a training session at its headquarters in Columbia and its regional offices can view it.

To operate a facility that can originate and send video programming, an agency must have a physical location for the studio and purchase equipment, such as cameras and microphones. The facilities, known as origination sites, broadcast a signal which can be picked up by ETV for a fee. There are 57 origination sites throughout the state and over 1,700 locations where live broadcasts can be viewed. Locations include state agencies, school districts, higher education institutions, hospitals, and police and fire departments.

Chief Information Officer

The CIO assists agencies with obtaining video conferencing equipment and capabilities. Video conferencing allows video and audio feed to travel through phone lines or the Internet from one location to another or multiple locations. This type of conferencing is used when a limited number of locations is participating in the conference. The office has procured contracts for equipment and bridging support, which allows entities to connect to each other. In the state, there are 52 sites with video conferencing capabilities utilizing CIO services. The majority of these are technical colleges.

There is no requirement that agencies consult or use the services of ETV or the CIO. Agencies such as the Criminal Justice Academy and Vocational Rehabilitation have procured and used video services independently.

Examples of Cost Savings from Video Conferencing

Examples of the savings agencies can gain from video conferencing are discussed below.

Criminal Justice Academy

The Criminal Justice Academy has its own video conferencing system to provide training. During FY 03-04, the Criminal Justice Academy reduced instructor costs 65% by using video conferencing. The academy spent \$2,760 to provide 92 instructional hours using conferencing. If the same class had to be conducted at the multiple locations around the state, the cost would have been \$7,800. These estimates are only for instructor costs and do not reflect reductions in travel and lodging costs. These figures also do not include operating costs, which would reduce the amount of savings. In addition to savings for the academy, law enforcement agencies throughout the state noticed a reduction in travel expenditures and time away from duties because they did not have to travel to Columbia for training.

Vocational Rehabilitation

Vocational Rehabilitation has its own video conferencing system using telephone lines to connect six sites. It uses the system for meetings and training. According to officials at Vocational Rehabilitation, when a two-day training session is held at its headquarters in Columbia, it costs the agency \$3,192. This amount would be for 42 participants and includes automobile transportation, meals, and lodging. If the same session is held using the six video conferencing facilities the department has throughout the state, the costs are reduced to \$1,328. Therefore, it is 58% less expensive to conduct this meeting through video conferencing.

According to an official with the CIO's office, there are websites that allow agencies to conduct a cost benefit analysis regarding video conferencing compared to traditional training and meetings that would include travel.

Coordination and Oversight

In our August 1995 audit, *A Sunset Review of the South Carolina Educational Television Commission*, we recommended that the General Assembly require ETV, in conjunction with other state technical experts, to review the need for proposed video conferencing studios at state agencies. The recommendation suggested that state agencies that were closely located geographically could share facilities. Furthermore, the 2003 report of the MAP commission found that there is duplication of communication services between ETV and some educational institutions. The commission also found that ETV is underutilized by state agencies and other public entities.

The Video Resources Oversight Council is composed of six agencies, including representatives from ETV, the State Department of Education, and the Office of Information Technology Policy and Management, among others. According to an ETV official, the council has never formally met. The official also stated that coordination of statewide video resources is accomplished informally.

The council should oversee all video conferencing facilities and services, not only satellite services, to ensure that there is not a duplication of effort by state agencies. It should include entities involved in offering or procuring video conferencing services, such as the CIO's office. According to an ETV official, Columbia has 12 origination sites using ETV services. An official with the CIO provided a list of 12 sites in Columbia using video conferencing services. This does not include agencies that purchase services from private vendors.

The council could be responsible for approving plans for facilities and determining if an agency's need could be met by utilizing another agency's facilities. This would allow the council to keep track of the location and use of facilities throughout the state.

Recommendations

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7. The General Assembly should expand the mission of the Video Resources Oversight Council to include approval and coordination of all video conferencing services and facilities.
 8. The General Assembly should revise the composition of the Video Resources Oversight Council to include a representative appointed by the Budget and Control Board's Chief Information Officer.

Central Travel Office

There is no centralized office that is responsible for managing travel by South Carolina state agencies to ensure that it is efficient and cost effective. This makes it difficult for the state to use its volume of travel to reduce costs, improve communication and training about travel policies, and develop expertise in travel practices.

Other states, such as Louisiana and Mississippi, and the federal government have central travel coordinators or offices. These offices are charged with improving client travel services, minimizing travel costs through contract management, providing training and seminars, and ensuring compliance with travel policies. In South Carolina:

- The Budget and Control Board sets travel regulations.
- Individual agency directors determine if travel and the amounts to be spent for each trip are justified.
- The Comptroller General's office is responsible for approval of travel vouchers.
- The State Auditor may examine travel expenditures when performing an audit.
- B&CB procurement auditors review contracts awarded by state agencies for travel services.

South Carolina does not collect data about travel on a statewide basis. The Comptroller General does not collect travel expenditures for all state agencies. Universities, technical colleges, and quasi-state agencies, such as the State Ports Authority and Santee Cooper, do not have the same accounting system as the rest of the state, so data cannot be easily collected and disseminated to interested parties.

The lack of centralized travel information could limit the state's ability to locate cost savings. For example, a travel office could assist with travel procurements, such as an airline contract. The office could collect data about the types of travel conducted by state employees and then determine what types of contracts the state should seek. The office would also be able to inform state agencies of up-to-date travel trends.

The state collects information detailing travel-associated costs, but it is collected and maintained by different agencies. For example, the Comptroller General's office collects information about each agency's top 25 travelers for each fiscal year and the Budget and Control Board receives reports from the Diner's Club card discussing types of purchases and debt accrued by state employees (see p. 21). If this information were centrally located, it would be less difficult to identify potential savings.

In its 2003 report, the MAP commission found that there needs to be cost efficient travel procedures and reporting mechanisms established statewide. The report further stated that there was a need to examine all aspects, costs, and expenses related to state government travel with emphasis on reducing costs and eliminating all non-essential travel. This would include a review and possible implementation of privatization in the overall purchase of travel products.

The commission recommended creating a centralized travel office. It found that areas of cost reduction and accountability to be developed and enhanced by the travel office would include:

- Expanded reporting requirements to publicly disclose costs for airfare, lodging, and transportation.
- Establishment and implementation of a program requiring the use of frequent traveler hotels, credit cards, and airline bonuses earned by state travelers to be utilized to offset future state travel costs.
- Active pursuit of specialized contracts, such as airfare contracts.
- Development of maximum room rates for in-state and out-of-state lodging costs employees could incur while on official business.

In our 1992 cost savings audit, we recommended the establishment of a central travel office. We contacted Louisiana's and Mississippi's travel offices and found that the offices are divisions of the finance and/or administration departments. The offices are staffed by one to three employees and the costs are primarily salaries and benefits. An official at the Louisiana travel office estimated that the airfare contract alone saves the state \$3 million annually (see p. 10). If South Carolina had a state travel office, cost savings and other advantages could result.

Recommendation

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9. The General Assembly should establish a central state travel office.

Other Travel Practices

We found that many state agencies have implemented policies to reduce travel expenditures. These procedures could be utilized by other agencies to improve efficiencies. We also found some areas that could be improved which could result in cost savings. We discuss some of these issues below.

Travel Support Document

The state's travel support document used to identify and document travel expenses does not require a reason for the travel. For example, we tried to determine if some of the trips reviewed were for conferences. If there was not a reference to a conference or an agenda attached, it was difficult to make that determination. If lodging limits are implemented, it will be important to know if the traveler was attending a conference because that lodging limit would be higher than the stated federal lodging rate for that city.

We found that some states require employees to include travel authorizations or justifications to be reimbursed for travel expenses. These justifications provide information about the reason for the trip. Employees are required to describe the trip and its location, estimate of the cost of meals, mode of transportation, and lodging reimbursements, and its purpose and the benefits to the state. The state's reimbursement form does not provide detailed information about the trip. If the state's form required this information, it would allow for easier reviews of travel expenditures.

The Comptroller General's office is currently implementing the South Carolina Enterprise Information System (SCEIS). According to an agency official, the SCEIS is designed to standardize and improve the financial, procurement, budget, and human resource methods agencies are currently using and will directly impact the way in which travel expenses are reported and tracked. It is anticipated that the SCEIS will capture the reasons for travel so the CG can review and analyze the data.

Recommendation

10. The Comptroller General's office, when implementing the South Carolina Enterprise Information System, should ensure that the system requires the reason for travel.

Corporate Travel Card

South Carolina has a corporate travel card program which allows state employees to use a credit card for travel-related expenses. However, we found that use of the card has decreased and the rebates obtained by the state are minimal. In addition, according to an official with the B&CB, agencies have reported problems with lack of acceptance of the card and the card is no longer available to all state employees due to problems with some employees failing to pay their charges. South Carolina may be able to improve its travel card program by combining the travel card with the state's procurement card, as was done in Florida.

South Carolina has contracted with Diner's Club to provide the state with a corporate travel card. According to a B&CB official, the corporate travel card program was created for two reasons. First, some state employees who were required to travel did not possess a credit card. Second, delays in reimbursing state employees for travel expenses placed on a personal credit card resulted in employees incurring interest charges.

State employees are eligible to use a Diner's Club card to pay for travel expenses. Diner's Club spending decreased 38% from approximately \$8.3 million in 2001 to \$5.1 million in 2003. The state receives a small rebate from Diner's Club under the contract. According to a B&CB official, in 2002 it was \$577 and in 2003, it was \$443. In addition, the number of card holders decreased from 4,441 to 3,673 (17%) during the same time period. According to a B&CB official, the reduction in card holders may be attributed to a change in which employees may receive cards. Originally, cards were issued to any state employee who wanted one. However, this resulted in substantial bad debts being incurred by state employees who did not pay their credit card charges. Under the contract, the state did not have liability for these charges. Cards are now issued only to employees who are deemed credit worthy. It is possible that employees who originally needed a state travel card because they did not have their own card may no longer receive one because they are not found credit worthy.

According to a B&CB official, another reason for the reduction in cards is that state agencies have reported problems with acceptability of the cards. However, in the spring of 2005, Diner's Club added the MasterCard logo to its cards, which will increase the number of places the card is accepted.

The state may be able to simplify its travel card program and receive greater rebates by combining the procurement and travel card programs. South Carolina has separate procurement and travel card programs. The state's procurement card is used by state agencies to purchase items such as supplies. The procurement card currently can be used to purchase some

travel-related items, such as airfare, but cannot be used to pay for other travel-related expenses, such as hotel rooms. This is due, in part, to the inability to limit unauthorized purchases for things like room service or movies in hotel rooms.

In Florida, employees use only one card for travel, commodities, and services. State agencies in Florida are not liable for employees' personal purchases. The agencies are covered under a liability waiver program which includes terminating employees who abuse the card.

Florida receives cash rebates from its card. Florida reported that its net purchasing volume for FY 02-03 on its procurement card was over \$299 million. Florida recently amended its contract and increased its rebate from 0.7% to 1%. South Carolina also receives a rebate from use of its procurement card. According to a B&CB official, the amount varies based on how much the state purchases using the card, but can be as much as 0.6%. Both South Carolina and Florida use the same vendor for their procurement card program.

Recommendation

11. The Budget and Control Board should examine whether there is a continuing need for a corporate travel card. The B&CB should also examine the feasibility of combining the procurement card and corporate travel card in order to maximize ease of use and benefits to the state.
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State Car Rental Contract

The state contract for car rentals could be improved. We found instances where employees found lower rates than the contracted rate and travelers had problems with the contractor honoring the contract.

Alamo Rental Car was the primary vendor from August 2001 through July 2004, with Hertz being the secondary vendor. This contract has since expired and, as of February 2005, no new contract had been established. The contract rate for an intermediate car was \$37 (with an additional \$5 per day charge for certain cities). In our voucher review, we compared prices quoted on car rental receipts to the state contract price. We found that 11 of 19 (58%) showed a daily rate lower than the state contract daily rate. State law allows for using another vendor if the vendor's price is 10% below the contracted price.

State agencies are made aware of state contracts through the B&CB's Office of Material Management's (MMO) website. We found that some state

agencies have specific information in their travel policies about the state rental car contract.

According to one state agency, its travelers have reported problems with the contractors, stating the vendor was not aware of the contract or would not honor the contract. We contacted MMO to determine how complaints are tracked and what steps are followed if problems are discovered. According to MMO, if it receives a complaint, MMO contacts the vendor to resolve the matter; however, MMO received no formal complaints on this state car rental contract.

Florida agencies can have direct feedback on problems with state contracts through a survey on the procurement agency's website. This method of allowing for feedback may enable South Carolina travelers to report problems easily and provide MMO with information on contracts. According to a B&CB official, the agency has initiated a project for improving feedback by creating a website for filing and tracking complaints.

Recommendation

12. The Budget and Control Board's Office of Materials Management should revise its procedure to allow state agencies direct feedback on its contracts. Any complaints regarding state contracts, such as the car rental contract, should be considered when renewing or making new awards.
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Reimbursement to Volunteers

We reviewed DSS's reimbursement of non-state employees because it had the highest number of employees in the list of top ten non-state employees for FY 02-03 and FY 03-04. According to DSS, most of these employees are volunteers who are reimbursed for mileage for transporting clients. In one case, a volunteer was reimbursed over \$13,000 in one year. During the period we examined, the county where this person volunteered began requiring odometer readings from volunteers. After this change, similar trips submitted for reimbursement by this volunteer went down from approximately 95 miles to 60 miles. This requirement, however, was not implemented agency wide. Requiring odometer readings or using standard mileage between cities may help agencies reimburse mileage by volunteers more accurately.

Recommendation

13. Agencies that use volunteers to transport clients should implement policies, such as requiring odometer readings or using standard mileage between cities, to verify mileage submitted by those volunteers.

Moving Expenses

Section 8-11-130 of the S.C. Code of Laws states that reasonable moving expenses for state employees will be reimbursed when they are relocated in the course of the business of the agency.

The state reimbursed 20 newly-hired and current employees for moving expenses during FY 03-04. Fourteen (70%) of these were for less than \$5,000 and four were for \$5,000. We examined the two vouchers that exceeded \$5,000, and found that they were paid for transfers of current employees. In one case, the Employment Security Commission relocated an employee from Graniteville to Conway for a cost of \$6,422 to fill the area director's position. However, the Department of Commerce transferred one employee and his family overseas to Munich, Germany for \$6,026, \$396 less than ESC paid to move an employee across the state. This expenditure had prior authorization by the Budget and Control Board not to exceed \$10,000.

Alabama reimburses actual moving expenses for permanent employees who are transferred, not to exceed \$1,250. North Carolina does not pay for moving expenses for new hires, but pays for handling a maximum of 15,000 pounds for transferring current employees. Georgia pays the actual cost of transporting up to 11,000 pounds of household goods for employee relocations, and prorates the cost of additional weight.

Section 8-11-135 of the S.C. Code of Laws limits moving expenses for newly hired employees to \$5,000. However, §8-11-130 places no limit on the transfer of current employees. Without limits on moving expenses, the state may incur unnecessary costs when relocating employees.

Recommendation

14. The General Assembly should amend S.C. Code §8-11-130 to restrict moving expenses to a maximum of \$5,000, with an exception for transfers outside the continental United States.

Use of Travel Agencies

In FY 02-03 and FY 03-04, we found several instances where airline tickets were booked through travel agencies. In these cases, the travel agency charged a fee of \$35 or \$40 and, in one case, \$100. Reasons given by several agencies for using travel agencies were:

- In 2002, the agency did not utilize its procurement card as much as it does currently. Now, using the agency's procurement card, tickets can be purchased directly from the airlines or on-line.

- Agencies stated they were more comfortable booking international trips through a travel agent, who has more expertise.
- Agencies can be billed directly by the travel agency instead of an individual paying the travel agent and awaiting reimbursement.
- The agency did not have a “corporate credit card” to use on the Internet or to book flights directly with the airlines.

All agencies have access to agency procurement cards, which can be used to book flights through the Internet or directly with the airlines. It is understandable that for international bookings, which may be more complicated, agencies may benefit from the use of a travel agency. If the state had a central travel office, however, this office could assist with booking international trips (see p. 18).

Use of State Aircraft

We reviewed the use of the division of aeronautics state plane for FY 03-04. We found certain trips which involved questionable use of the state plane.

- In May 2004, a technical college spent approximately \$8,400 to fly a commencement speaker from Baltimore, Maryland to the college. According to agency officials, it was necessary to use the state plane due to the speaker’s tight traveling schedule.

It is questionable whether the use of the state airplane to transport a commencement speaker is the most cost effective use of state funds. We also found that because the commencement speaker departed Baltimore at 6:00 a.m. in the morning, the state aircraft had to be sent up the night before, resulting in a \$300 overnight charge to pay for travel costs of the pilots.

- In January 2004, a state agency head used the state aircraft to fly from Columbia to Myrtle Beach to attend the funeral of a local county official. Aeronautics billed \$737 for the flight. The agency head subsequently reimbursed the agency for the flight.

The division of aeronautics guidelines state that the aircraft is not to be used for personal reasons. While the state agency head reimbursed aeronautics for the amount charged for the flight to Myrtle Beach, the actual cost to fly may have been higher. In March of 2004, aeronautics raised its per hour charge from \$750 to \$1,100 to more accurately reflect the cost of using the aircraft. Thus, the actual cost of the flight to Myrtle Beach would have been almost \$1,100 under the new rates established two months after the flight.

Airfare

Agencies are using the Internet to book trips in order to compare rates between carriers. They are also keeping track of employees' frequent flyer miles and utilizing the miles earned on official business for future state travel. However, in some cases, agencies were having difficulty tracking their employees' frequent flyer miles. Frequent flyer miles can only be awarded to an individual and not an organization. Therefore, some agencies had difficulty obtaining information about the amount of frequent flyer miles earned from the airlines.

Automobiles

Many state agencies are utilizing the state fleet's golden cars program. This program leases higher mileage cars to state agencies at a discounted rate. In the past, when cars reached a certain mileage, such as 100,000 miles for a compact sedan, the car would be replaced with one under 100,000 miles. There are 17 state agencies currently participating in the program. Budget and Control Board officials estimated that the program could save up to \$100,000 in the program's first year.

Train the Trainer

Agencies, such as the State Law Enforcement Division and the South Carolina State Housing Finance and Development Authority, are attempting to reduce travel expenditures by bringing trainers into the agency as opposed to sending multiple employees to training. This "train the trainer" concept also involves one person attending a training session and then returning to instruct other employees at the agency.

State Agency Travel Expenditures

FY 01-02 — FY 03-04

AGENCY TRAVEL EXPENDITURES WHICH INCREASED ARE SHADED IN THE TABLE BELOW.				
AGENCY	FY 01-02	FY 02-03	FY 03-04	% Change
Accident Fund, State	\$ 74,351	\$ 64,209	\$ 65,215	-12%
Adjutant General, Office of the	427,129	298,987	302,842	-29%
Administrative Law Court, State of S.C.	584	4,036	3,614	519%
Agriculture, S.C. Department of	290,924	280,796	290,203	0%
Alcohol and Other Drug Abuse Services, S.C. Department of	133,927	102,756	70,561	-47%
Appellate Defense, Office of	7,743	2,919	4,975	-36%
Archives and History, S.C. Department of	38,602	44,274	37,827	-2%
Arts Commission, S.C.	77,098	93,785	63,796	-17%
Attorney General, Office of the	160,987	133,681	134,515	-16%
Blind, S.C. Commission for the	227,359	277,180	238,308	5%
Budget and Control Board, State	730,572	752,001	678,368	-7%
Charleston Naval Complex Redevelopment Authority	32,141	13,686	31,873	-1%
Commerce, S.C. Department of	722,171	424,010	376,611	-48%
Comptroller General, Office of the	43,081	27,918	9,585	-78%
Conservation Bank, S.C.		659	854	100%
Consumer Affairs, S.C. Department of	65,751	59,507	77,477	18%
Corrections, S.C. Department of	64,254	57,303	46,731	-27%
Deaf and the Blind, S.C. School for the	260,640	248,641	282,257	8%
Disabilities and Special Needs, S.C. Department of	198,824	133,413	134,284	-32%
Education, S.C. Department of	1,076,677	999,666	799,636	-26%
Education Oversight Committee, S.C.	31,061	38,525	30,790	-1%
Education Lottery, South Carolina	256,115	338,364	303,455	18%
Educational Television Network, S.C.	228,479	175,985	222,204	-3%
Election Commission, S.C. State	17,335	25,051	18,325	6%
Employment Security Commission, S.C.	1,524,175	1,244,493	1,031,058	-32%
Ethics Commission, State	16,845	16,205	14,901	-12%
Financial Institutions, State Board of	276,468	286,857	259,929	-6%
First Steps	74,488	78,603	62,637	-16%
Forestry Commission, S.C.	368,582	291,205	238,496	-35%
Governor's Office of Executive Policy and Programs	542,672	259,569	220,676	-59%
Governor's School for Science and Mathematics	38,830	18,414	12,668	-67%
Governor's School for the Arts and Humanities	33,252	59,973	55,801	68%
Governor's Office Executive Control of State	23,885	5,507	7,916	-67%
Health and Human Services, Department of	842,632	960,759	804,533	-5%
Health and Environmental Control, S.C. Department of	7,194,634	6,521,679	6,593,931	-8%
Higher Education Tuition Grants Commission	8,792	7,993	9,144	4%
Higher Education, S.C. Commission on	140,953	145,548	121,250	-14%
House of Representatives, S.C.	842,914	767,595	703,600	-17%
Housing Finance and Development Authority, S.C. State	403,486	394,286	380,934	-6%
Human Affairs Commission, S.C.	51,420	40,316	40,360	-22%
Indigent Defense, S.C. Commission on	6,617	3,599	7,010	6%
Insurance, S.C. Department of	364,353	321,236	400,818	10%
Jobs Economic Development Authority	5,869	6,497	8,066	37%
John de la Howe School	66,120	51,333	44,825	-32%
Judicial Department, S.C.	572,942	641,322	829,878	45%

Appendix A
Travel Expenditures FY 01-02 — FY 03-04

AGENCY TRAVEL EXPENDITURES WHICH INCREASED ARE SHADED IN THE TABLE BELOW.				
AGENCY	FY 01-02	FY 02-03	FY 03-04	% Change
Juvenile Justice, S.C. Department of	391,020	337,269	309,681	-21%
Labor, Licensing and Regulation, S.C. Department of	1,476,540	1,489,813	1,312,034	-11%
Law Enforcement Division, State	413,469	286,801	275,028	-33%
Legislative Council	3,979	4,777	5,546	39%
Legislative Audit Council	14,038	15,395	10,899	-22%
Legislative Printing, Information and Technology Systems	21,085	9,527	15,740	-25%
Library, S.C. State	25,636	30,259	21,398	-17%
Lieutenant Governor, Office of the	360	0	3,822	960%
Mental Health, State Department of	1,058,413	1,230,695	1,494,102	41%
Minority Affairs, State Commission for	15,271	14,603	7,651	-50%
Motor Vehicles, S.C. Department of (1)			422,063	N/A
Museum Commission, S.C.	19,061	16,475	15,885	-17%
Natural Resources, S.C. Department of	484,625	554,278	417,612	-14%
Parks, Recreation and Tourism, S.C. Department of	617,907	503,080	444,707	-28%
Patients' Compensation Fund	4,340	4,756	3,430	-21%
Patriots Point Development Authority	17,825	17,366	35,846	101%
Ports Authority, State	494,676	507,374	515,052	4%
Probation, Parole and Pardon Services, S.C. Department of	1,488,715	1,451,527	1,210,374	-19%
Procurement Review Panel	4,178	90	4,252	2%
Prosecution Coordination, S.C. Commission on	29,211	20,927	16,983	-42%
Public Safety, Department of (1)	1,229,507	906,324	373,342	-70%
Public Service Commission, S.C.	383,597	374,615	407,005	6%
Research Authority, South Carolina	954,026	1,298,196	1,487,533	56%
Revenue, S.C. Department of	681,709	622,521	582,534	-15%
Santee Cooper	1,114,601	1,095,329	1,036,152	-7%
Sea Grant Consortium, S.C.	89,211	82,693	106,454	19%
Second Injury Fund	28,819	24,717	32,136	12%
Secretary of State, Office of the	22,275	21,004	30,485	37%
Senate, S.C.	318,716	296,338	299,641	-6%
Sentencing Guidelines Commission	757	1,336	284	-63%
Social Services, Department of	6,069,831	5,893,329	3,988,695	-34%
State Treasurer, Office of the	14,457	11,296	8,105	-44%
Technical and Comprehensive Education, State Board for	411,662	342,120	323,444	-21%
Transportation Board, County	35	0		-100%
Transportation, S.C. Department of	950,584	932,712	951,673	0%
Transportation Infrastructure Bank Board	12,842	13,571	12,123	-6%
Vocational Rehabilitation Department, S.C.	905,583	938,829	788,328	-13%
Wil Lou Gray Opportunity School	37,629	22,076	7,965	-79%
Workers' Compensation Commission, S.C.	159,111	112,387	95,059	-40%
SUB TOTAL	\$ 38,531,037	\$ 36,204,745	\$ 33,145,800	-14%

Appendix A
Travel Expenditures FY 01-02 — FY 03-04

AGENCY TRAVEL EXPENDITURES WHICH INCREASED ARE SHADED IN THE TABLE BELOW.				
AGENCY	FY 01-02	FY 02-03	FY 03-04	% Change
Technical Colleges				
Aiken Technical College	\$ 166,295	\$ 149,374	\$ 112,849	-32%
Central Carolina Technical College	163,242	128,176	124,320	-24%
Denmark Technical College	78,068	53,501	119,708	53%
Florence-Darlington Technical College	192,947	278,675	275,215	43%
Greenville Technical College	330,268	367,677	354,384	7%
Horry-Georgetown Technical College	225,427	205,507	261,062	16%
Lowcountry Technical College	147,531	141,758	176,545	20%
Midlands Technical College	512,104	500,988	492,228	-4%
Northeastern Technical College	46,306	33,905	44,638	-4%
Orangeburg-Calhoun Technical College	122,365	109,783	114,630	-6%
Piedmont Technical College	195,834	186,673	187,141	-4%
Spartanburg Technical College	177,607	179,090	181,763	2%
Tri-County Technical College	239,515	212,535	260,496	9%
Trident Technical College	396,746	412,073	463,309	17%
Williamsburg Technical College	87,084	78,739	68,659	-21%
York Technical College	164,783	259,963	261,479	59%
SUB TOTAL	\$ 3,246,121	\$ 3,298,418	\$ 3,498,426	8%
Universities(2)				
Charleston, University of	\$ 1,099,852	\$ 1,076,919	\$ 1,110,877	1%
Citadel, The	569,716	539,079	561,677	-1%
Clemson University	7,531,941	7,542,074	7,334,139	-3%
Coastal Carolina University	519,351	650,414	710,672	37%
Francis Marion University	356,200	421,164	440,570	24%
Lander University	141,946	146,075	157,898	11%
Medical University of South Carolina (3)	2,773,648	2,851,318	3,226,509	16%
South Carolina, University of (4)	6,043,475	6,486,439	6,928,607	15%
South Carolina State University	976,337	737,359	809,806	-17%
Winthrop University	448,632	470,630	508,261	13%
SUB TOTAL	\$ 20,461,097	\$ 20,921,469	\$ 21,789,017	6%
Non-State Employee Travel	\$ 5,031,961	\$ 5,298,347	\$ 4,290,785	-15%
GRAND TOTAL	\$ 67,270,216	\$ 65,722,980	\$ 62,724,027	-7%

- (1) DMV was part of DPS until it became a separate agency in FY 03-04. DPS figures for FY 01-02 and FY 02-03 include DMV, but the FY 03-04 figure does not.
- (2) Excludes athletic department travel.
- (3) Includes travel expenditures by the Area Health Education Consortium (S.C. Consortium of Teaching Hospitals).
- (4) Includes all campuses and school of medicine.

Appendix A
Travel Expenditures FY 01-02 — FY 03-04

Agency Comments

Appendix B
Agency Comments

STATE OF SOUTH CAROLINA
State Budget and Control Board
OFFICE OF EXECUTIVE DIRECTOR

MARK SANFORD, CHAIRMAN
GOVERNOR

GRADY L. PATTERSON, JR.
STATE TREASURER

RICHARD ECKSTROM
COMPTROLLER GENERAL



HUGH K. LEATHERMAN, SR.
CHAIRMAN, SENATE FINANCE COMMITTEE

ROBERT W. HARRELL, JR.
CHAIRMAN, WAYS AND MEANS COMMITTEE

FRANK W. FUSCO
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May 9, 2005

Mr. George Schroeder
Director
Legislative Audit Council
1331 Elmwood Avenue, Suite 315
Columbia, SC 29201

Re: *A Review of State Travel*

Dear George:

Thank you for the opportunity to comment on your report entitled *A Review of State Travel*. While this audit was not of the Budget and Control Board, your report makes several recommendations regarding the Board. My comments will be limited to those recommendations. The Budget and Control Board has no statutory duty to regulate or audit travel expenses by state agencies. State employee travel is regulated by statutes and state agencies are required by law to regulate their employees travel practices.

Contracting with Air Carriers: While we are prepared to fulfill any legislative mandate, it should be noted that numerous attempts to contract for discount airfares have been unsuccessful. In the early 1980's we solicited competition and awarded a contract to Freedom Airlines, which eventually went bankrupt. Twice we solicited airfares for selected city pairs, but made no award because all responses were either non-responsive or not attractive financially. We attempted again in 1999 with similar results.

Most recently, we attempted to procure discount airfares in 2002, in response to your audit entitled *An Administrative Review of the Department of Commerce*, but made no award. We received one bid from Delta but the procurement manager determined to make no award due to limited competition and the apparent lack of discounts.

State Procurement Card Use for Travel: We have communicated with officials of the State of Florida Department of Management Services who informed us that the State of Florida does allow the use its procurement card for lodging. They do not allow its use for meals.

Ten years ago, when we initiated the procurement card program, an oversight committee representing each member of the Budget and Control Board at that time decided not to allow the

use of the procurement card for travel expenses with the exception of airfares. Reasons included concern that using the procurement card for travel could lead to reimbursements for meal expenses above state ceilings or be used for prohibited expenses such as hotel movie rental. We agree that further consideration should be given to this idea.

State Car Rental Contract: The state contract price for car rentals included liability and comprehensive insurance on all rental cars and required the car rental agency to rent vehicles to state employees twenty-one years of age without a surcharge. These requirements may not have been included in competitors' prices. Our experience with this contract and others indicates that car rental franchises that are not company owned may not be aware of or accept the parent company's contracts.

Feedback on State Term Contracts: We have maintained a common, well-publicized vendor complaint process for many years. However, we have not received any vendor complaints from state employees about the car rental contract. Prior to receipt of this report, we had initiated a project of improving our feedback process to include creating a website location for filing and tracking each complaint to its resolution.

Video Conferencing: The Office of the State Chief Information Officer agrees that video conferencing provides the potential for significant savings. The CIO actively supports cooperation with SCETV, state agencies, and state educational institutions to ensure that duplication of effort and unnecessary expenditures do not occur. We welcome the opportunity to participate in the Video Resources Oversight Council.

The CIO and SCETV collaborate frequently on a number fronts, and CIO supports the statewide microwave system that allows for presenters in various locations to be connected to SCETV in Columbia for broadcast over the satellite system. The CIO also has had contracts in place with network service providers for K-12, higher education and agency use. A recent contract was put in place to provide support for IP based video conferencing to allow for less expensive deployment over multiuse networks.

Sincerely,



Frank W. Fusco

COMMISSIONERS
J. William McLeod
Becky D. Richardson
McKinley Washington, Jr.

EXECUTIVE DIRECTOR
Roosevelt T. Halley
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May 9, 2005

Mr. George L. Schroeder, Director
Legislative Audit Council
1331 Elmwood Avenue, Suite 315
Columbia, South Carolina 29201

Dear Mr. Schroeder:

In response to your letter dated May 2, 2005, the following are our final comments pursuant to your report *A Review of State Travel* :

Commission Travel:

- The Commissioners are reimbursed under the same guidelines as the State's elected representatives in the House and Senate, as well as members of the judicial system. We believe this to be an equitable travel reimbursement for our representatives and judges, as well as the Commissioners of this Agency.
- The Commissioners of this Agency are elected by the State Legislature to four (4) year terms. These terms are comparable to the terms of the House and Senate members, i.e., short- term employment with no guarantee of longevity.
- The current travel policy helps to defray the additional costs absorbed by the Agency's Commissioners during their elected terms. In addition, no state appropriated general funds are used for these reimbursements.

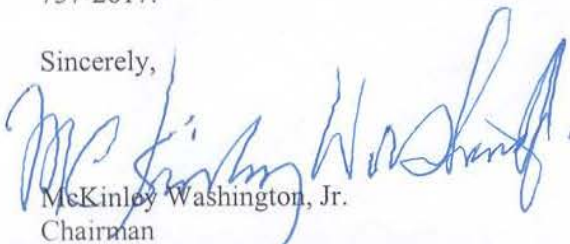
Employee Moving Expenses:

- Our Agency policy on reimbursement of employee moving expenses is very restrictive. All requests must be approved by the Executive Director. The reimbursed employee's moving expenses are limited to area directors (cost center managers) whose move is a direct benefit to the Agency.

In conclusion, our Agency's total travel expenses equate to .009% (9/10 of one percent) of total Agency expenditures. From years of experience tracking travel expenditures, we find this to be a very acceptable level of travel expenditures for our Agency.

I am appreciative of your staff's thorough effort while performing this audit. If you need additional information, please contact Roosevelt T. Halley, Executive Director, at (803) 737-2617.

Sincerely,


McKinley Washington, Jr.
Chairman



Charles L.A. Terreni
Chief Clerk/Administrator

The Public Service Commission State of South Carolina

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Phone: (803) 896-5133
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Charles.Terreni@psc.state.sc.us

May 11, 2005

Mr. George L. Schroeder, Director
South Carolina Legislative Audit Council
1331 Elmwood Avenue, Suite 315
Columbia, South Carolina 29201

Re: *A Review of State Travel*

Dear Mr. Schroeder:

Thank you for giving us the opportunity to review the section of the Legislative Audit Council's report, *A Review of State Travel*, which pertains to the Public Service Commission.

The Legislative Audit Council's comments regarding the Public Service Commission almost exclusively pertain to the per diem payments which have historically been provided by the General Assembly as a means for reimbursing Commissioners' expenses for travel and lodging. As acknowledged in your report, unlike other state employees, Public Service Commissioners are required by law to live in their congressional districts, and are therefore expected to travel from their homes to the Commission's offices in Columbia. Therefore, there is justification for reimbursing Public Service Commissioners' travel costs when they must travel to the agency's headquarters in Columbia. Several members of the Public Service Commission must routinely travel an hour and a half or more to attend hearings in Columbia, and unavoidably incur expenses for meals, transportation, and lodging while doing so. I also wish to point out that, even though he is entitled to do so under the current system, the one Public Service Commissioner who lives in Richland County, does not collect subsistence payments when he travels to the Commission's office in Lexington County.

Nevertheless, the Public Service Commission acknowledges that your report poses reasonable questions regarding the current method for reimbursement of subsistence expenses. The Public Service Commission and the State Regulation of Public Utilities Review Committee are considering alternative methods of subsistence reimbursement for Public Service Commissioners. The Public Service Commission itself is also looking at ways to travel more economically, including those measures proposed by the Governor in his recent Executive Budget.

Thank you for giving us the opportunity to comment on your report.

With best wishes, I am,

Sincerely yours,

Charles L.A. Terreni



Workers' Compensation Commission

May 9, 2005

Mr. George L. Schroeder, Director
Legislative Audit Council
1331 Elmwood Avenue, Suite 315
Columbia, South Carolina 29201

Dear Mr. Schroeder:

Thank you for the opportunity to review excerpts from the final draft of the Legislative Audit Council's report *A Review of State Travel*.

The Commission's operations are quasi-judicial in function and more closely aligned and comparable to circuit court than either the Employment Security Commission or the Public Service Commission. As a result, the Commission supports the current version of Proviso 72.26 and maintaining travel reimbursement for our commissioners similar to that of circuit court judges. The current proviso simplifies record keeping and changing the method of reimbursement is not likely to have a material effect on total costs.

It is important to note that while the Commission did implement a policy in September 2002 limiting the number of days that the \$95 in subsistence would be paid, it was implemented as a result of significant reductions in funding. Those same budget cuts resulted in reductions in staffing as well as furloughs. While the policy did result in a reduction in travel expenditures, it also had an effect on the Commission's ability to conduct its business timely. The number of hearings held was limited, resulting in a backlog of cases and increasing the time it took for a case to get to a hearing. Over the last two years the length of time it took for a case to be heard increased from approximately four to eight months. Part of this increase is a result of the policy to limit travel.

Generally speaking, the Commission is required by statute to hold hearings in the county where the accident occurred. The Commission has divided the state in seven districts with each commissioner serving in each district for a two month period. Four of

Mr. George L. Schroeder
May 9, 2005
Page Two

our seven commissioners live in the Columbia area, two in the upstate and one along the coast. Over a fourteen month period all seven will have traveled to each of the seven districts to hold hearings. Three days a month all seven are in Columbia to hold appellate hearings, so those living outside the Columbia area must travel to Columbia for those days. The Commission holds approximately 2,800 individual hearings and 900 appellate hearings annually.

Simply stated, travel is required and limiting travel reduces the ability of the Commission to conduct its business and hold hearings on a timely basis. The longer it takes for a contested claim to receive a hearing, the more costly the claim becomes for all parties concerned. More importantly, benefits due the injured employee, including medical treatment, are delayed. Proper funding for travel is critical to the Commission's ability to fulfill its mission to provide an equitable and timely system of benefits to injured workers and to employers in the most responsive, accurate, and reliable manner possible.

Sincerely,



Gary R. Thibault
Interim Executive Director



May 11, 2005

Mr. George L. Schroeder
Director
Legislative Audit Council
1331 Elmwood Avenue, Suite 315
Columbia, S.C. 29201

Dear Mr. Schroeder:

This is to provide final comments on the report *A Review of State Travel*. We are in agreement with the findings in the Video Conferencing section of the report.

If you have any questions or need additional information, please call me at 737-3318.

Sincerely,

A handwritten signature in dark ink that reads "David L. Crouch". The signature is written in a cursive, flowing style.

David L. Crouch
Senior Vice President for Administration

State of South Carolina
Office of Comptroller General

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RICHARD ECKSTROM
COMPTROLLER GENERAL

NATHAN KAMINSKI, JR.
CHIEF OF STAFF

May 6, 2005

George L. Schroeder
Director
Legislative Audit Council
1331 Elmwood Ave., Suite 315
Columbia, S.C. 29201

Dear Mr. Schroeder:

This will confirm that the Comptroller General's Office has received and reviewed excerpts of the final draft report, A Review of State Travel. The excerpts that this Office reviewed were Chapter 1 – Introduction and Background, together with page 20 of the draft report titled "Travel Support Document." We concur in the discussion, findings, and recommendation contained in the excerpts that this Office reviewed.

All of our agency staff who reviewed the report, as well as the Comptroller General, have signed an affidavit of confidentiality which I have returned to your Office as requested. This Office appreciates the work performed by the Legislative Audit's Council's staff on this report and we thank you for the opportunity to submit this response. If you have any follow-up questions, please let us know.

Sincerely,



Nathan Kaminski, Jr.
Chief of Staff

/nkjr

DSS

Serving Children and Families

KIM S. AYDLETTE, STATE DIRECTOR

May 9, 2005

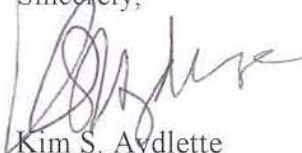
Mr. George L. Schroeder, Director
SC Legislative Audit Council
1331 Elmwood Ave., Suite 315
Columbia, SC 29201

Dear Mr. Schroeder:

Thank you for allowing us to review and comment on the finding concerning reimbursements to volunteers in your audit entitled *A Review of State Travel*. As you know, the Department of Social Services uses volunteers to transport children and adults to doctor visits, visitations with families, school activities, and a number of other necessary functions. Volunteers are not paid, but are reimbursed for mileage. As recommended, we have implemented a policy statewide that requires supervisors to more accurately verify mileage claimed by volunteers who transport clients. Volunteers must record their odometer readings each time they transport a DSS client, and supervisors must document that the mileage claimed is reasonable and necessary.

Please feel free to call me if you have any questions.

Sincerely,



Kim S. Aydlette
State Director

KSA:ctb